



RBA:
CITY OF AUSTIN
RECOMMENDATION FOR BOARD ACTION

AGENDA ITEM NO: 5
AGENDA DATE: 1/15/2009
PAGE: 1 OF 2

SUBJECT: Approve the negotiation and execution of a loan to FOUNDATION COMMUNITIES, INC., or its affiliate organization, under the Rental Housing Development Assistance Program, in an amount not to exceed \$900,000, in compliance with applicable affordable housing general obligation bond financing requirements and performance goals, to refinance debt on a 92-unit multi-family property located at 8801 McCann Drive in order to provide 14 units to very low-income families.

AMOUNT & SOURCE OF FUNDING: Funding is available in the Fiscal Year 2008-2009 Austin Housing Finance Corporation budget allocation under the Rental Housing Development Assistance Program using proceeds from General Obligation Affordable Housing Bonds.

FISCAL NOTE: There is no unanticipated fiscal impact. A fiscal note is not required.

REQUESTING
DEPARTMENT: Austin Housing Finance Corporation

DIRECTOR'S
AUTHORIZATION: _____

FOR MORE INFORMATION CONTACT: Margaret R. Shaw, Treasurer, Austin Housing Finance Corporation, 974-3184

PRIOR COUNCIL ACTION:

PRIOR BOARD ACTION:

Approval of funding will facilitate Foundation Communities, Inc., (FC), or its affiliate organization, with refinancing its 92-unit Crossroads Apartments property located at 8801 McCann. The refinancing will retire current debt on the property, putting AHFC in a first lien position, and allow FC to expand by 14, the number of very low income families (less than 30 percent median family income) served in its Children's Home Initiative Program. FC proposes to make the 14 units affordable for 99 years.

The Children's Home Initiative Program is currently operated in three other FC-owned properties, and provides affordable rental housing and supportive services for families with yearly incomes of no more than 50 percent of the Austin area's median family income (MFI – currently, \$35,550 for a four-person household). The proposed refinancing of the Crossroads Apartments will enable FC to expand the program to serve families with even lower incomes, no more than 30 percent of MFI (currently \$21,350 for a four-person household).

The overall goal of the program is to empower families to achieve a more stable lifestyle, with a focus on greater economic self-reliance for themselves and their children. Through the services provided, families with extreme needs attain the ability to achieve greater levels of independence and

self-sufficiency. Examples of supportive services include employment counseling, parenting skills, credit counseling, budgeting, understanding financial institutions, savings strategies, and other services needed to help the family become self-sufficient.

The request for funding was received in response to a Notice of Funding Availability (NOFA) under the Rental Housing Development Assistance (RHDA) Program using proceeds from Affordable Housing General Obligation Bonds (GO Bonds). The Housing Bond Review Committee reviewed the funding application on December 3, 2008, and supports the proposed project. The project received support because it meets or exceeds all the goals for G. O. Bond funding: deeper levels of affordability (30 percent MFI); longer-term affordability (99 years); and geographic dispersion due to its location near Highway 183 and Mo-Pac. The project will be developed in accordance with applicable environmental review requirements.

Following Board approval, an RHDA Program loan will be negotiated and executed with FC in an amount not to exceed \$900,000 for a term of 99 years at zero percent interest, or such other terms as determined necessary and appropriate to finance the project. Repayment of the loan will be deferred on a yearly basis and forgiven at the end of the 99-year period subject to compliance with the loan agreement. Estimated sources and uses of funds for the project are as follows:

Sources:

| | |
|-------------------------------|--------------------|
| G.O. Bond RHDA funding | \$ 900,000 |
| NeighborWorks America Funding | \$ <u>300,000</u> |
| Total | \$1,200,000 |

Uses:

| | |
|---------------------------|---------------------|
| Refinance of current debt | \$ <u>1,200,000</u> |
| Total | \$1,200,000 |

Foundation Communities, Inc. is a 501(c)(3) non-profit organization established in 1984 and has developed more than 1,500 units of affordable rental housing for low-income households in Austin.

The requested funding is available in the Fiscal Year 2008-2009 budget allocation of the Austin Housing Finance Corporation (AHFC), and the request is consistent with the City of Austin's currently approved Consolidated Plan and the AHFC's strategy to provide assistance through below market-rate financing for the development of affordable rental housing for low- and moderate-income households and persons with special needs.